

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: Internal Audit Final Report
a. Death Match Application Process

ITEM NUMBER: 9

ATTACHMENTS: _____

ACTION: _____

DATE OF MEETING: October 14, 1999

INFORMATION: X

PRESENTER: Mr. Lee

We have completed the audit of Detecting Unreported Deaths during the period from July 1, 1995 to October 31, 1998. The responsibility for this function is within the Survivor Benefits Section of CalSTRS. The percentage of deaths that are unreported deaths account for approximately 2% of the Survivor Benefits workload. At the time of our review, CalSTRS contracted with the SCO and the Berwyn Group Incorporated to provide computerized matching techniques of current CalSTRS allowance roll data with the records of reported deaths maintained by other government agencies.

Our review was performed in order to determine if the internal controls were sufficient to provide reasonable assurance that:

- Annuitants receiving benefits were alive.
- Annuitants reported as deceased were actually deceased.
- Measures employed by CalSTRS to detect unreported deaths were adequate, effective, and carried out in a timely manner.
- Once CalSTRS received notification of a possible unreported death, research and investigation by staff ensured that benefit payments to deceased members were stopped in a timely manner.

Our review disclosed the following matters, which required management's attention and action:

Issue I:

The State Controller's Office (SCO) Semi-Annual Death Match Reports were not processed by Survivor Benefits during the period from 10/1/95 to 4/30/97. If the reports had been reviewed and acted upon more timely, total overpayments to deceased annuitants' accounts would have been less.

Summary:

The SCO provides CalSTRS with monthly, quarterly, and semi-annual death match reports that identify benefit recipients reported as deceased by another governmental agency. The semi-annual report identifies potential death matches based on the Social

Security Administration's national death statistics while the monthly and quarterly reports identify potential death matches based on California death statistics. According to management, the semi-annual death match reports were not worked due to an erroneous belief that the semi-annual report was a cumulation of the SCO monthly and quarterly reports that were processed by CalSTRS. Management has affirmed that all deaths not discovered by CalSTRS due to not processing the SCO semi-annual reports were later discovered and the overpayment collection process initiated when CalSTRS contracted with The Berwyn Group in May 1997 to locate potential unreported deaths.

Action:

Management concurred with this finding, and has updated operating procedures to provide staff with direction in evaluating, analyzing, and processing the SCO semi-annual death match reports. Management will also include the unreported death workload in the monthly executive report for monitoring and tracking purposes.

Issue II:

Standard time frames for processing death match listings were not formally established, and documentation deadlines were not enforced. This resulted in the untimely resolution of certain death cases.

Summary:

When an annuitant is identified on a death match listing as having a high possibility of being deceased, CalSTRS requires the annuitant to submit documentary proof that he/she is still alive. Survivor Benefits has developed a standard death inquiry letter for investigating the possible unreported deaths of annuitants. At the time of audit, the death inquiry notice allowed a payee 45 days to submit the required documentation prior to action being taken by CalSTRS to stop future benefit warrants.

Attempts by Survivor Benefits to either obtain the required documentation or take action to discontinue allowance payments (pending receipt of the required information) continued beyond the 45 day deadline in certain cases.

Action:

Management concurred with this finding and has developed formal time frames for working the death match reports, closely monitoring those cases which exceed established time frames, and stopping benefit payments in a timely manner.

Issue III:

First level management and staff overrode control procedures for securing documentary proof to support that an annuitant reported as deceased was not deceased. The risk that CalSTRS concludes that an annuitant is alive when in fact the annuitant is deceased increases when established control procedures are bypassed.

Summary:

Because the source files used by contractors to perform the computerized death match analysis contain data errors, the identification of a death on a death match listing does not always represent valid death identification. Therefore, research and acquisition of reliable evidence is required for accurate verification by CalSTRS. If contact by CalSTRS with the latest known address or phone number of an annuitant reveals that the annuitant is deceased, CalSTRS will obtain a certified copy of a death certificate for verification purposes. If such contact reveals that an annuitant is alive, CalSTRS must obtain reasonable assurance (evidential matter) to support that the annuitant was reported as deceased by another governmental agency in error. The following evidence is required by CalSTRS:

- A copy of the payee's current state driver's license or identification card, and
- A copy of the payee's social security card.
- If the payee does not possess a current driver's license or ID card, a copy of a current bank statement including a signed statement that the payee does not possess a license or ID card is accepted.
- Once copied, the documents must be notarized. The notary must include language in his or her confirmation that they have verified the identification of the individual for whom they are notarizing the document(s).

In the majority of cases, CalSTRS members and beneficiaries comply with the above documentation requirements. There have been occasions where annuitants have objected to providing the required evidence and the procedures were overridden by first level management and staff as an accommodation. The overrides of the above procedures by first level management were overt and based on staff's recommendation. However, the Office of Audits noted a few overrides in which the documentation obtained to support that the annuitant was alive and to substantiate the hardship claimed by the annuitant was not sufficient.

Action:

Management concurred with this finding and will closely monitor and evaluate cases in which payees claim hardship in complying with documentation requirements. Future overrides of verification requirements will be approved by the Chief of the Disability and Survivor Benefits Division and reported in a monthly report to the Deputy CEO.

Throughout the course of the audit, internal control issues were communicated to management allowing for their timely resolution.